

Message Text

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PAGE 01 MAPUTO 01009 091041Z
ACTION XMB-04

INFO OCT-01 AF-10 EUR-12 ISO-00 STR-07 AID-05 CIAE-00
COME-00 EB-08 FRB-01 INR-10 NSAE-00 ICA-20
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R 091005Z AUG 78
FM AMEMBASSY MAPUTO
TO SECSTATE WASHDC 7275
INFO AMEMBASSY LONDON

UNCLAS MAPUTO 1009

DEPT PASS EXIMBANK

E.O. 11652: N/A
TAGS: EFIN, EINV, MZ
SUBJECT: GOVERNMENT INTERVENES IN SENA SUGAR

REF: MAPUTO 0983 AND PREVIOUS

1. THE MOZAMBIQUE GOVERNMENT AUGUST 7 PRESENTED THE MAPUTO OFFICE OF SENA SUGAR ESTATES, LTD., WITH AN ORDER GIVING SENA 48 HOURS TO ANSWER CHARGES OF ECONOMIC SABOTAGE. SENA, THE BRITISH-OWNED COMPANY WHICH IS MOZAMBIQUE'S LARGEST SUGAR PRODUCER, IS BANKRUPT, AND CREDITORS BANK OF MOZAMBIQUE, EXIM AND ECGD ARE MEETING IN LONDON THIS WEEK TO DISCUSS SENA'S FUTURE.
2. UNDER TERMS OF DECREE LAW 16/75, IF ECONOMIC SABOTAGE IS FOUND, THE GPRM HAS THE RIGHT TO TAKE OVER MANAGEMENT OF THE FIRM AND SOME OR ALL OF ITS ASSETS. PRINCIPAL CHARGES WERE THAT SENA MANAGEMENT DID NOT HARVEST OR PLANT CANE IN A TIMELY FASHION, CAUSING LOSSES IN PRODUCTION; MISLED THE GOVERNMENT ABOUT REQUIREMENTS FOR OPENING THE MARROMEU FACTORY, AND GAVE ESSENTIAL EMPLOYEES SIMULTANEOUS HOLIDAYS, PARALYZING PROCESSING.

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3. FULL-PAGE NEWSPAPER ARTICLES IN BOTH OF MOZAMBIQUE'S DAILY PAPERS I/8 ATTACKED ATTITUDE OF SENA'S MANAGEMENT AND DETAILED CHARGES OF MALFEASANCE. ARTICLES REPORT SENA DEBT TO BANK OF MOZAMBIQUE OF MORE THAN 1.5 BILLION ESCUDOS (DOLS. 45 MILLION).
4. SENA OFFICIAL TOLD EMBASSY THAT MANY CHARGES IN THE NEWSPAPER AND THE GOVERNMENT ORDER (SIGNED BY ACTING MINISTER

ANTONIO BRANCO) ARE FALSE, AND THAT SENA IS WORKING ON A DETAILED RESPONSE. HE DID NOT KNOW WHY ANTI-SENA MOVES TIMED TO COINCIDE WITH OPENING OF LONDON MEETING. SINCE SENA LIABILITIES WITHIN MOZAMBIQUE PROBABLY EXCEED ASSETS, FIRM ALSO UNSURE WHETHER LAW 16/77 GIVES GPRM RIGHTS TO ASSETS HELD IN PORTUGAL OR ENGLAND.

5. INTEREST PAYMENT DUE PAST MAY TO EXIMBANK TRANSFERRED AUGUST

7. SENA/BM NOW CURRENT IN PAYMENTS TO EXIM.

6. COMMENT: EMBASSY HAS NO WAY OF VERIFYING ECONOMIC SABOTAGE CHARGES, BUT SENA'S BRITISH MANAGEMENT HAS ENCOUNTERED SERIOUS PROBLEMS IN MAINTAINING PRODUCTION. OUTCOME OF INTERVENTION AND LONDON MEETING UNCERTAIN, BUT ACCUSATIONS MEAN THAT SENA'S PRESENT MANAGEMENT LIKELY TO BE REPLACED. TIMING OF ORDER MAY BE RELATED TO MEETING OF PEOPLE'S ASSEMBLY THIS WEEKEND IN MAPUTO, WHOSE APPROVAL MIGHT BE SOUGHT (THOUGH NOT REQUIRED) FOR GOVERNMENT ACTION.

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